

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 475 - HB 1362**

March 5, 2023

**SUMMARY OF BILL:** Revises and adds various provisions and definitions related to the Sports Wagering Advisory Council (SWAC) and sports wagering regulations. Renames the SWAC as the Sports Wagering Council (SWC). Revises certain provisions related to applications, fees, and penalties. Authorizes the SWC to carry forward fine revenue available at the end of the year for administrative purposes. Revises provisions specific to record keeping and inspections for licensees and registrants. Authorizes SWC to charge vendors for background investigations. Authorizes vendors to register every three years instead of annually. Requires SWC to post the categories of persons who are ineligible to place a wager on its website.

**FISCAL IMPACT:**

**Increase State Revenue – Exceeds \$272,200/FY23-24 and Subsequent Years/  
Sports Wagering Council**

**Decrease State Revenue – \$237,300/FY23-24 and Subsequent Years/  
Tennessee Promise Scholarship Endowment Fund**

**Assumptions:**

- In FY21-22, 21 vendors registered with SWC, resulting in a total of \$43,155 in background check costs to a contracted third-party vendor; therefore, the average cost per background check was \$2,055 ( $\$43,155 / 21$ ). For the purposes of this analysis, it is assumed the cost per background check will remain constant into perpetuity.
- Currently, SWC is required to use its own funds to pay third-party vendors to conduct background checks. The proposed legislation would require applicants to reimburse SWC for the costs of background checks thereby increasing SWC revenue.
- The proposed legislation would extend a vendor registration to three years, thereby allowing registrants to re-register every three years instead of every year.
- After adjusting for the fact that registrants will be required to register every three years instead of annually, based on information from SWC it is estimated that at least 51 vendors will register with SWC every three years, with at least 17 vendors registering each fiscal year.
- The increase in state revenue as a result of the proposed legislation is estimated to be an amount exceeding \$34,935 ( $\$2,055 \times 17$ ) in FY23-24 and subsequent years.

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- Pursuant to Tenn. Code Ann. § 4-49-117(f) and (g), fees collected from licensees must be used by SWC to pay the actual operating and administrative expenses. The remainder of such fees is to be distributed to the State Treasurer for deposit into the Tennessee Promise Scholarship Endowment Fund.
- SWC reports that \$2,242,940 was transferred pursuant to such provisions in FY21-22.
- The proposed legislation requires that 10 percent of all such remaining fees must remain for use by SWC. Therefore, the legislation is estimated to result in a recurring increase in revenue to SWC of \$224,294 ( $\$2,242,940 \times 10\%$ ) and an equivalent recurring decrease in revenue to the Tennessee Promise Scholarship Endowment Fund, beginning in FY23-24.
- According to SWC, \$13,000 in fine revenue was collected in FY21-22 by the Tennessee Education Lottery (TEL). This money will be carried forward for administrative expenditures of the SWC as a result of this legislation. Based on information provided by the SWC, it is assumed that such fine collections are currently allocated to the Tennessee Promise Scholarship Endowment Fund.
- The total recurring increase in revenue to the SWC is estimated to exceed \$272,229 ( $\$34,935 + \$224,294 + \$13,000$ ), beginning in FY23-24.
- The total recurring decrease in revenue to the Tennessee Promise Scholarship Endowment Fund is estimated to be \$237,294 ( $\$224,294 + \$13,000$ ), beginning in FY23-24.
- Any decrease in workload resulting from less frequent registrations will not result in a significant decrease in state expenditures.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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